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JUN 13 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

June 13, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: EX PARTE MEETINGS ON CC DOCKETS NO. 87-266 AND NO. 94-1 ✓

Dear Mr. Caton:

Pursuant to Section 1.1206 of the Commission's Rules, this is to advise you that GTE representatives met today with Kathleen Wallman, Richard Metzger, Mindy Ginsburg, Jane Jackson and Todd Silbergeld of the Common Carrier Bureau, and Meredith Jones, Gary Laden and Larry Walke of the Cable Services Bureau to discuss video dialtone issues relating to CC Dockets No. 87-266 and No. 94-1. GTE discussed points already made on the record in the above proceeding as well as in the attached material.

Please call me at 463-5293 if you have any questions.

Sincerely,

Edwin J. Shimizu
Director-Regulatory Matters

Attachment

c: Kathleen Wallman - 1919 M Street, NW - Room 500
Richard Metzger - 1919 M Street, NW - Room 500
Mindy Ginsburg - 1919 M Street, NW - Room 544
Jane Jackson - 1919 M Street, NW - Room 544
Todd Silbergeld - 1919 M Street, NW - Room 544
Meredith Jones - 2033 M Street, NW - Room 918A
Gary Laden - 2033 M Street, NW - Room 900
Larry Walke - 2033 M Street, NW - Room 900

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Status of GTE's Video Dialtone Service Offering

- **Submit Petition for Waiver of Part 69** **Mid June**
- **Submit Channel Reservation Tariff** **Early July**
- **Begin Construction** **Early July**
- **Open Enrollment Period** **Mid August**
- **Submit Video Dialtone Service Tariff** **Early September**
- **Video Dialtone Service Deployment** **December**

Outstanding Regulatory Issues

- **Third NPRM - CC Docket 87-266**
 - **Channel Allocation & Sharing, PEG Access**
- **Fourth NPRM -CC Docket 87-266**
 - **Affiliated Programmers**
- **Tariff & Part 69 Proceedings**
 - **Rate and Tariff Structure**
- **NPRM - CC Docket 94-1**
 - **Price Cap Treatment of Video Dialtone**

Title II/Title VI Issues

- **Title II rules and safeguards will prevent discrimination in favor of an affiliated programmer — no more are needed**
- **Planned rules and safeguards border on excess and have probably prompted RBOCs to favor Title VI approach**
- **Combination of Title II and Title VI rules could create a burdensome operating situation for affiliated programmer**
 - **Franchise requirements conflicting with VDT platform rules**
 - **Must carry requirements conflicting with platform channel allocation and positioning requirements**
 - **Affiliated programmer disadvantaged competitively vis-a-vis other programmers**

Title II Requirements

- 1. Filing Section 214 application**
- 2. Filing Part 69 waiver**
- 3. Filing tariffs**
 - channel reservation arrangement**
 - interstate VDT services**
 - intrastate VDT services**
- 4. VDT network disclosure obligations**
- 5. Meeting accounting requirements**
 - Parts 32, 64, 36, 69**
 - RAO 25 (accounting records)**
 - Cost Allocation Manual**
- 6. Potential VDT price cap rules**
 - Limited by bands/baskets**
 - Annual PCI adjustments**
 - Minimum 4.0% productivity factor**
- 7. LEC customer service standards**
- 8. Utility taxes/franchise fees**
- 9. ONA requirements**
- 10. CPNI requirements**
- 11. Interconnection rules**
- 12. Restrictions on cable TV buyouts**
- 13. Potential restrictions on LEC programming on VDT platform**
- 14. Quarterly summaries of accounting records**
- 15. Filing cost allocation plan before offering telephony services over VDT network**
- 16. Channel capacity rules**
 - notification for shortfall in capacity**
 - expanding VDT platform when demand exceeds capacity**
 - one-year waiting period before assigning excess channel capacity**
 - potential VDT channel sharing restrictions**
 - 50% limit for single programmer**
- 17. Additional regulations from state jurisdictions**
- 18. Provision of Marketing Services to all providers**

VDT Pricing Issues

- **Goals of Pricing Methodology**
 - Accommodate diverse user needs
 - Encourage programming diversity
 - Promote wide programming availability to end users
 - Cover costs in the aggregate
- **Pricing scheme characteristics to achieve goal**
 - Recognize not all programming has equal appeal
 - Recognize financial risk to thinly capitalized programmers
 - Incent programmers to gain subscribers
 - Fit needs of both broad based and niche programmers
 - Foster full network utilization
- **Pricing method to achieve goals**
 - Based on subs at low number of channels leased
 - Based on subs and potential subs at high number of channels leased
 - Quantity discounts
 - Subscriber minimums
 - Service period minimums

Other Service Considerations

- **Channel Reservation Process**

- GTE is likely to propose a process similar to Bell Atlantic
- We will ask for a high dollar amount deposit (reservation fee) plus a service minimum to prevent excess investment and insure only serious candidates apply

- **Channel Sharing**

- GTE proposed broadcast /PEG channels without unique signaling requirements could be shared
- No complex administrative scheme is needed - sharing decisions made by programmers
- Sharing is beneficial as it fosters greater use of analog channels

- **Channel Allocation**

- 50% limit satisfactory if sharing approved
- One year waiting period on use of fallow channels is wasteful

- **Price Caps**

- Flexibility is important to respond to market needs
- VDT should be subject to streamlined regulation because it is a competitive service